

**FINANCIAL STATEMENTS – REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16,
CHEROKEE COUNTY, OKLAHOMA**

JUNE 30, 2022

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2022

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HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page No.</u>
School District Officials	2
Table of Contents	3-4
Independent Auditor's Report	5-7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements - Regulatory Basis – Performed in Accordance with Government Auditing Standards	8-9
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required By the Uniform Guidance	10-12
Disposition of Prior Year's Significant Deficiencies and Material Instances of Non-Compliance	13-15
Schedule of Audit Results, Findings and Questioned Costs	16-19
Combined Financial Statements – Regulatory Basis	
Combined Statement of Assets, Liabilities and Fund Balance All Fund Types and Account Groups – Regulatory Basis	20
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	21
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	22-24
Notes to Combined Financial Statements - Regulatory Basis	25-41
Supplementary Information	

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
JUNE 30, 2022

Page No.

Combining Financial Statements – Regulatory Basis

Combining Statement of Assets, Liabilities and Fund Balance – All Special Revenue Funds – Regulatory Basis	42
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Special Revenue Fund Types – Regulatory Basis	43
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	44
Schedule of Expenditures of Federal Awards – Regulatory Basis	45
Schedule of Expenditures of Federal Awards – Regulatory Basis – Prepared For the Oklahoma State Department of Education	46
Schedule of Statutory, Fidelity and Honesty Bonds	47
Schedule of Accountant’s Professional Liability Insurance Affidavit	48



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Education
Hulbert Independent School District No. 16
Hulbert, Cherokee County, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Hulbert Independent School District No. 16, Hulbert, Cherokee County, Oklahoma (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" section of our report, the combined financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2022, and the revenues it received and expenditures it paid and encumbered for the year then ended, in accordance with the financial reporting provisions of the Oklahoma State Department of Education as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of our report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2022, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified audit opinions.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, the financial statements referred to above do not include the General Fixed Asset Account Group, which is a departure from the regulatory basis of accounting prescribed or permitted by the Oklahoma State Department of Education. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by the District, on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements-regulatory basis that collectively comprise the District's basic financial statements. The accompanying combining financial statements-regulatory basis and other supplementary information and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements-regulatory basis. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, the combining financial statements-regulatory basis and other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the combined financial statements-regulatory basis as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 17, 2023



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education
Hulbert Independent School District No. 16
Hulbert, Cherokee County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements – regulatory basis of the Hulbert Independent School District No. 16, Hulbert, Cherokee County, Oklahoma (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2023, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts as provided by the Oklahoma State Department of Education. However, our report was qualified because the omission of the general fixed asset account group results in an incomplete presentation with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Given these limitations, during our audit we identified three deficiencies in internal control that we consider to be material weaknesses. These deficiencies are shown on the accompanying Schedule of Audit Results.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Education
Hulbert Independent School District No. 16
Hulbert, Cherokee County, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hulbert Independent School District No. 16, Hulbert, Cherokee County, Oklahoma's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 17, 2023

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2022

FINDING 2021-1 – Misappropriation of Assets

Condition: From information provided by the District, interviews performed, and software accounting reports obtained, it appears that the treasurer and the encumbrance clerk may have committed fraud by misappropriation of assets. This potential embezzlement of District funds appears to have been accomplished by issuing additional payroll payments in excess of their approved employment contract. These extra payments were occasionally made by check, but in most cases paid by direct deposit into their personal bank accounts on record. Further, there appears to have been two additional District employees who may have benefited from this payroll scheme.

It appears that this misappropriation began in the 2019-20 fiscal year. From July 1, 2019 through October 31, 2021, we estimate a possible misappropriation of District funds in excess of \$500,000.

Current Status: This finding continued during the 2021-22 fiscal year until the resignations of employees involved, but the effects of the misappropriation of assets continued throughout the fiscal year leading to exceeded appropriations and a deficit in the building fund balance.

FINDING 2021-2 – Exceeded Appropriations / Deficit Fund Balances

Condition: It appears that the aforementioned misappropriation of assets also resulted in the District exceeding its approved appropriations and ending the fiscal year with a deficit fund balance in the General, Building, and Child Nutrition Funds. The District's 2020-21 approved appropriations and expenditures are as followed:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Total Expenditures</u>	<u>Amount Exceeded</u>
General	\$ 4,893,338.88	\$ 5,490,236.00	\$ (596,897.12)
Building	386,173.35	625,211.00	(239,037.65)
Child Nutrition	122,753.84	273,294.00	(150,540.16)
Total	<u>\$ 5,402,266.07</u>	<u>\$ 6,388,741.00</u>	<u>\$ (986,474.93)</u>

Current Status: This improved during the 2021-22 fiscal year. However, the building fund ended the fiscal year with a negative fund balance.

FINDING 2021-3 – Activity Funds Deposits

Condition: After the resignation of the two employees in the business office, undeposited activity funds were located in a locked file cabinet. A reconciliation of these funds was performed by the District and there was an estimated \$14,808 of unaccounted funds that were accumulated. When testing the activity fund receipting procedures during our audit, we noted there is not a clear audit trail from when collections are made to the corresponding bank deposit, therefore, we are unable to determine how much activity fund collections could be missing. When comparing the sponsor receipts to the amounts deposited into that subaccount, there were missing deposits for 3 of the 4 subaccounts we selected for testing. It does not appear that the proper receipting procedures were being followed by the activity fund custodian and it was evident that deposits were not being made in a timely manner. In addition, it did not appear that sponsors were reconciling their own sub-account balances, nor did the activity fund custodian provide them with their account balance on a regular basis. We also noted that the custodian's activity ledger was not properly reconciled to the bank balance at the end of each month.

Current Status: This finding was improved upon during the 2021-22 fiscal year after October of 2021.

FINDING 2021-4 – Board Minutes

Condition: It did not appear that the District provided the County Clerk with a list of regular meeting dates for the 2021 calendar year. While reviewing the business conducted at each meeting, the Board was not presented with detailed financial information each month.

Current Status: This was corrected in the 2021-22 fiscal year.

FINDING 2021-5 – Financial Reconciliations

Condition: During our Estimate of Needs and final audit work, we observed that the bank balances were not properly reconciled to the accounting records each month, and the "Summary of Financial Activities" (ADPC report) had cash/investments balances incorrectly assigned to prior fiscal years. Because of this, unidentified adjustments were made to the financial statements in order to reconcile, and incorrect OCAS financial information was submitted to the State Department of Education. We also noted several instances where the treasurer coded incoming revenue items to the incorrect revenue source code. This is a repeat finding.

Current Status: This finding was improved upon during the 2021-22 fiscal year.

FINDING 2021-6 – Purchase Orders

Condition: During the review of the appropriated and activity fund expenditures, we made the following observations:

- Most of the purchase orders were not encumbered against available appropriations prior to the obligations being incurred
- Most of the invoices were not signed received by a District employee
- There was a large amount of purchases where we were unable to locate any supporting documentation or could only locate partial documentation
- Activity fund checks were handwritten instead of being ran through the accounting software.

Current Status: These exceptions continued during the 2021-22 fiscal year with the exception of activity fund checks being handwritten, which was corrected.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section 1 – Summary of Auditor’s Results:

1. An adverse opinion was issued on the combined financial statements in conformity with generally accepted accounting principles, and an adverse opinion was issued for a misappropriation of assets and for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. The audit identified three significant deficiencies (items 2022-1, 2022-2, 2022-3), considered to be material weaknesses, and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed three instances of noncompliance (items 2022-1, 2022-2, 2022-3) which are material to the financial statements.
4. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over major programs.
5. An unmodified report was issued on the compliance for major programs in conformity with the regulatory basis of accounting.
6. The audit disclosed no audit findings which are required to be reported under the Uniform Guidance, 2 CFR 200.516(a).
7. Programs determined to be major are the COVID-19 Education Stabilization Fund-ESSER/ARP/CARES Act Programs (84.425D, 84.425U), which were not clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The auditee was determined not to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

FINDING 2022-1 – Misappropriation of Assets

Condition: Findings 2021-1 mentioned in the prior year's findings continued into the 2021-22 fiscal year until the resignation of former employees. From information provided by the District, interviews performed, and software accounting reports obtained, it appears that from July 1, 2021 to October 31, 2021 net payroll payments to the treasurer totaled \$76,677.73 and net payroll payments to the encumbrance clerk totaled \$40,591.79, which are far in excess of anticipated amounts for that period. This led to misappropriated funds and deficit fund balance in the building fund.

Criteria: School Districts are required, per Oklahoma Statue Title 70§5-135, to implement internal controls and procedures over initiating, recording, and paying for all purchases, salaries, wages, or contractual obligations.

Cause / Effect: The inherent limitations resulting from a small number of employees performing almost all the accounting functions, that would normally be divided among employees were a larger number available, prevent a proper segregation of duties. Because most accounting functions were performed by just two individuals, and it appears collusion between the two employees existed, many controls the District had in place were able to be circumvented. Further, monthly treasurer reports and activity fund reports were not consistently presented to the School Board for approval or review. Only three months of the fiscal year had a treasurer report included in the Board minutes, however, the report was not detailed and did not include any supporting documentation. Board oversight is an important financial control for school districts and this is particularly true for small districts with a lack of segregation of duties.

Recommendation: This finding was discovered during the 2020-21 audit and continued into the 2021-22 school year. As the District discovered this matter, they implemented new procedures and put controls in place to deter this issue from arising in the future. The school outsourced their treasury to ensure that a person outside of the District would be responsible for accounts payable and payroll. This should help deter funds from being misappropriated.

Response: The District has not responded to the audit findings as of the date of this audit report.

FINDING 2022-2 – Purchase Orders

Condition: During the review of the appropriated and activity fund expenditures, we made the following observations:

- Most of the purchase orders were not encumbered against available appropriations prior to the obligations being incurred
- Most of the invoices were not signed received by a District employee
- There was a large amount of purchases where we were unable to locate any supporting documentation or could only locate partial documentation

Criteria: All District obligations should be encumbered prior to the actual purchase of materials or services, as required by Oklahoma Statutes. All expenditures should be properly authorized, adequate support be obtained and attached to the purchase order. Adequate support would include original, itemized invoices with vendor name, address, phone number and itemized in sufficient detail, prior to issuing payment. A non-commercial vendors claim should be completed and used in lieu of a vendor not providing an invoice.

Cause / Effect: Proper procedures were not in place over the accounts payable function for both the appropriated and activity fund purchases. This increases the risk that a misappropriation of assets will occur and not be detected whether due to error or fraud.

Recommendation: We recommend that the District enforce policies and procedures which require that purchase orders be encumbered prior to the obligation being incurred, proper approval of the expenditure, original documentation be obtained, invoices be signed as received, the face of the purchase order reflect the total amount actually paid, and the check number(s) be recorded on the purchase order. Further, we recommend that all purchase orders have either original invoices or non-commercial vendor invoices attached as proof of indebtedness.

Response: The District has not responded to the audit findings as of the date of this audit report.

FINDING 2022-3 - Payroll

Condition: We could only adequately reconcile two of the twelve payroll contracts tested. Five of the contracts were not complete and another five contracts were not presented for review.

Criteria: Per Oklahoma Statutes 70 O.S. § 5-123 and Attorney General's Opinion No. 82-62, (dated 3-3-82) the District is required to have a written contract for each purchase order that is over \$500. This Attorney General's opinion has been construed to relate to personnel contracts.

Cause / Effect: Proper procedures were not in place to adequately file and maintain the personnel contracts. This increases the risk that individuals may be paid an incorrect amount, whether due to error or fraud, but will not be detected in a timely manner.

Recommendation: We recommend that after the board approves and signs, along with the employee, the personnel contracts, for both certified and support, that the signed contract, along with the informational worksheet, required by O.S 70 § 6-101.6, be filed and maintained for review. Further, we recommend that an earnings report be run at the end of each fiscal year, and all contracts be reconciled to actual amounts paid. This is a repeat finding.

Response: The District has not responded to the audit findings as of the date of this audit report.

Section 3 – Findings and questioned costs for federal awards:

NONE

COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2022

ASSETS

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	AGENCY FUNDS	GENERAL LONG-TERM DEBT	
Cash	\$ 437,072	(43,859)	68,952	149,232		611,397
Amounts available in debt service					68,952	68,952
Amount to be provided for retirement of general long-term debt					375,618	375,618
Total Assets	\$ 437,072	(43,859)	68,952	149,232	444,570	1,055,967

LIABILITIES AND FUND BALANCE

Liabilities:						
Warrants/checks payable	\$ 376,871	21,847				398,718
Funds held for school organizations				149,232		149,232
Long-term debt						
Bonds payable					420,000	420,000
Capital lease					24,570	24,570
Total liabilities	376,871	21,847	0	149,232	444,570	992,520
Fund Balance:						
Restricted		(65,706)	68,952			3,246
Unassigned	60,201					60,201
Cash fund balances	60,201	(65,706)	68,952	0	0	63,447
Total Liabilities and Fund Balance	\$ 437,072	(43,859)	68,952	149,232	444,570	1,055,967

The notes to the combined financial statements are an integral part of this statement

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022

	GOVERNMENTAL FUND TYPES			TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	
Revenues Collected:				
Local sources	\$ 710,256	94,432	128,312	933,000
Intermediate sources	93,530		2,889	96,419
State sources	3,417,458	86,808	1	3,504,267
Federal sources	1,408,174	535,810		1,943,984
Interest earnings	641			641
Non-revenue receipts	200	9,320		9,520
Total revenues collected	<u>5,630,259</u>	<u>726,370</u>	<u>131,202</u>	<u>6,487,831</u>
Expenditures:				
Instruction	3,412,516			3,412,516
Support services	2,038,515	349,658		2,388,173
Operation of non-instructional services	8,593	259,820		268,413
Facilities acquisition & construction	70,225			70,225
Other outlays:				
Correcting entry	6,288			6,288
Debt service requirements			141,900	141,900
Other uses/ Unbudgeted	2,667			2,667
Total expenditures	<u>5,538,804</u>	<u>609,478</u>	<u>141,900</u>	<u>6,290,182</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	91,455	116,892	(10,698)	197,649
Other financing sources (uses):				
Adjustments to prior year encumbrances	<u>(11,369)</u>	<u>1,329</u>	<u>0</u>	<u>(10,040)</u>
Excess of revenues collected over (under) expenditures	80,086	118,221	(10,698)	187,609
Cash fund balances, beginning of year	<u>(19,885)</u>	<u>(183,927)</u>	<u>79,650</u>	<u>(124,162)</u>
Cash fund balances, end of year	<u>\$ 60,201</u>	<u>(65,706)</u>	<u>68,952</u>	<u>63,447</u>

The notes to the combined financial statements are an integral part of this statement

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL FUND			Prior Year (Memorandum Only)
	Original Budget	Final Budget	Actual	
Revenues Collected:				
Local sources	\$ 548,336	705,219	710,256	633,414
Intermediate sources	82,839	95,093	93,530	89,585
State sources	3,081,835	3,426,323	3,417,458	3,133,285
Federal sources	1,343,200	1,343,200	1,408,174	801,472
Interest earnings			641	1,309
Non revenue receipts			200	
Total revenues collected	<u>5,056,210</u>	<u>5,569,835</u>	<u>5,630,259</u>	<u>4,659,065</u>
Expenditures:				
Instruction			3,412,516	3,460,240
Support services			2,038,515	1,994,684
Operation of non-instructional services			8,593	8,944
Facilities acquisition & construction			70,225	21,468
Other outlays:				
Correcting Entry			6,288	
Other uses/ Unbudgeted	<u>5,036,325</u>	<u>5,549,950</u>	<u>2,667</u>	
Total expenditures	<u>5,036,325</u>	<u>5,549,950</u>	<u>5,538,804</u>	<u>5,485,336</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	19,885	19,885	91,455	(826,271)
Other financing sources (uses):				
Adjustments to prior years encumbrances	<u>0</u>	<u>0</u>	<u>(11,369)</u>	<u>245,964</u>
Excess of revenue collected over (under) expenditures	19,885	19,885	80,086	(580,307)
Cash fund balance, beginning of year	<u>(19,885)</u>	<u>(19,885)</u>	<u>(19,885)</u>	<u>560,422</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>60,201</u>	<u>(19,885)</u>

The notes to the combined financial statements are an integral part of this statement

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Prior Year (Memorandum Only)
Revenues Collected:				
Local sources	\$ 78,399	78,399	94,432	83,366
State sources	2,524	86,965	86,808	2,658
Federal sources	535,554	535,554	535,810	506,666
Non-revenue receipts			9,320	
Total revenues	<u>616,477</u>	<u>700,918</u>	<u>726,370</u>	<u>592,690</u>
Expenditures:				
Support services			349,658	590,065
Operation of non-instructional services			259,820	273,294
Facilities acquisition & construction services				35,147
Other uses/ Unbudgeted	432,550	516,991		
Total expenditures	<u>432,550</u>	<u>516,991</u>	<u>609,478</u>	<u>898,506</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	183,927	183,927	116,892	(305,816)
Other financing sources (uses):				
Adjustment to prior years encumbrances	<u>0</u>	<u>0</u>	<u>1,329</u>	<u>910</u>
Excess of revenues collected over (under) expenditures	183,927	183,927	118,221	(304,906)
Cash fund balances, beginning of year	<u>(183,927)</u>	<u>(183,927)</u>	<u>(183,927)</u>	<u>120,979</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>(65,706)</u>	<u>(183,927)</u>

The notes to the combined financial statements are an integral part of this statement

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGET AND ACTUAL -
 BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Prior Year (Memorandum Only)
Revenues Collected:			
Local sources	\$ 123,025	128,312	130,752
Intermediate sources		2,889	
State sources		1	1
Total revenues collected	123,025	131,202	130,753
Requirements:			
Bonds	120,000	130,000	130,000
Coupons	11,683	11,900	14,500
Total expenditures	131,683	141,900	144,500
Excess of revenues collected over (under) expenditures	(8,658)	(10,698)	(13,747)
Cash fund balance, beginning of year	79,650	79,650	93,397
Cash fund balance, end of year	\$ 70,992	68,952	79,650

The notes to the combined financial statements are an integral part of this statement

NOTES TO COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Hulbert Public Schools Independent District No. 16 (the “District”) have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local independent school district. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

A. Reporting Entity – cont’d

whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District’s reporting entity.

B. Measurement Focus

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental Fund Types

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund – The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus - cont'd

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The special revenue funds typically include the building, co-op and child nutrition funds. The District did not maintain a co-op fund during the 2021-22 fiscal year.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund – The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Fund – The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment. The District did not maintain any capital project funds during the 2021-22 fiscal year.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

Expendable Trust Funds – Expendable trust funds typically include the gifts and endowments fund. The District did not maintain any expendable trust funds during the 2021-22 fiscal year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Agency Fund – The agency fund is the school activities fund which is used to account for monies collected principally through the fundraising efforts of students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group – This account group is established to account for all the long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases) which are to be paid from funds provided in future years.

General Fixed Assets Account Group – This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Measurement Focus – cont’d

Memorandum Only - Total Column

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis for State and Local Governments* with certain modifications. This format differs significantly from that required by GASB 34.

The financial statements are essentially prepared on the basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as inventory assets.
- Warrants/checks payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting and Presentation – cont'd

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The Board of Education must request an initial temporary appropriations budget from their County Excise Board before June 30. The District uses the temporary appropriation amounts as their legal expenditure limit until the annual Estimate of Needs is completed.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures. No later than October 1, each Board of Education shall prepare a financial statement and Estimate of Needs to be filed with the applicable County Clerk and the State Department of Education.

The 2021-22 Estimate of Needs was amended by supplemental appropriations as follows:

<u>Fund</u>	<u>Total</u>
General	\$ 513,625
Building	84,441

These amendments were approved by the County Excise Board.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Balance

Cash and Cash Equivalents – The District considers all cash on hand, demand deposit accounts, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The District considers investments of direct obligations of the United States government and agencies, certificates of deposits, savings accounts or savings certificates with maturities of greater than three months. All investments are recorded at cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2022 is not material to the combined financial statements.

Fixed Assets and Property, Plant and Equipment – The District has not maintained a record of general fixed assets, and, accordingly, a General Fixed Assets Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Department of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

Warrants/Checks Payable – Warrants/checks are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants/checks that have yet to be redeemed by the District's bank.

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

Compensated Absences – The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources had not been reported as an expenditure of the governmental fund that will pay it since the financial statements have been prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

E. Assets, Liabilities and Fund Balance – cont’d

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Fund Balance – In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the spendable fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government’s highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts) but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

E. Assets, Liabilities and Fund Balance – cont’d

Assigned fund balance represents amounts that are intended to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District’s general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1, of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the District and the state and distributed to Districts in amounts that differ in proportion to those which are collected within such systems.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions from or additions to the revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Monetary Transactions – The District receives commodities from the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been included in the financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures – Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third-party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

Interfund Transactions – Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no transfers made during the 2021-22 fiscal year.

2. CASH AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District's cash deposits and investments at June 30, 2022 were \$613,727 at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investment Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its investment choices, other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrument to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

2. CASH AND INVESTMENTS – cont'd

- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2022.

4. GENERAL LONG-TERM DEBT

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of bonds payable and capital leases. Debt service requirements for bonds are paid solely from the fund balance and the future revenues of the debt service fund and capital leases are paid from other funds.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

4. GENERAL LONG-TERM DEBT – cont'd

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2022:

	Bonds Payable	Capital Leases	Total
Balance, July 1, 2021	\$ 550,000	48,485	598,485
Retirements	<u>(130,000)</u>	<u>(23,915)</u>	<u>(153,915)</u>
Balance, June 30, 2022	<u>\$ 420,000</u>	<u>24,570</u>	<u>444,570</u>

A brief description of the outstanding long-term debt at June 30, 2022, is set forth below:

	Amount <u>Outstanding</u>
<u>General Obligation Bonds:</u>	
Building Bonds, Series 2015, original issue \$1,200,000, interest rate of 2.00% to 2.40%, due in annual installments of \$130,000, with a final payment of \$160,000 due on 6-1-25	\$ 420,000
<u>Capital Leases:</u>	
Lease purchase for LED lights, dated 5-9-17, \$174,513, interest rate 2.70%, payable in monthly principal and interest installments of \$2,077.53, final payment due 9-24-23	<u>24,570</u>
Total	<u>\$ 444,570</u>

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

4. GENERAL LONG-TERM DEBT – cont'd

Future Debt Requirements

The annual debt service requirements for outstanding bonds and capital leases, including the payment of principal and interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 154,570	9,661	164,231
2024	130,000	6,700	136,700
2025	160,000	3,840	163,840
Total	<u>\$ 444,570</u>	<u>20,201</u>	<u>464,771</u>

Interest paid on general long-term debt during the 2021-22 fiscal year totaled \$12,915.

5. EMPLOYEE RETIREMENT SYSTEM

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

5. EMPLOYEE RETIREMENT SYSTEM – cont'd

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2021-22 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 7.90%.

Annual Pension Cost

The District's total contributions for 2022, 2021, and 2020 were \$600,337, \$618,194 and \$547,123, respectively. Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2022. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit www.ok.gov/TRS for all plan information.

GASB Statement 68 became effective for fiscal years beginning after June 15, 2014, and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as the System, and who prepare published financial statements on an accrual basis using Generally Accepted Accounting Principles. Since the District does not prepare and present their financial statements on an accrual basis, the net pension amount is not required to be presented on the audited financial statements.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

6. RISK MANAGEMENT – cont'd

formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest.

The District is also a member of the Oklahoma State School Boards Association (OSSBA) Employment Services program, which helps to cover the cost of unemployment claims. Depending on which level of membership the District elects, the District makes a deposit into an account administered by OSSBA or will make payments periodically as needed. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

7. CONTINGENCIES

Federal Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2021-22 fiscal year. The revised Uniform Guidance Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended more than \$750,000 in federal awards.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

SUPPLEMENTARY INFORMATION

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2022

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ (97,540)	53,681	(43,859)
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants/checks payable	\$ 8,658	13,189	21,847
Fund Balance:			
Restricted	(106,198)	40,492	(65,706)
Total Liabilities and Fund Balance	\$ (97,540)	53,681	(43,859)

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 78,399	78,399	90,882	\$		3,550
State sources		84,441	84,441	2,524	2,524	2,367
Federal sources	330,116	330,116	200,227	205,438	205,438	335,583
Non-revenue receipts			9,230			90
Total revenues collected	<u>408,515</u>	<u>492,956</u>	<u>384,780</u>	<u>207,962</u>	<u>207,962</u>	<u>341,590</u>
Expenditures:						
Support services			349,658			
Operation of non-instructional services						259,820
Other uses/ Unbudgeted	266,328	350,769		166,222	166,222	
Total expenditures	<u>266,328</u>	<u>350,769</u>	<u>349,658</u>	<u>166,222</u>	<u>166,222</u>	<u>259,820</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	142,187	142,187	35,122	41,740	41,740	81,770
Other financing sources (uses):						
Adjustments to prior years encumbrances	<u>0</u>	<u>0</u>	<u>867</u>	<u>0</u>	<u>0</u>	<u>462</u>
Excess of revenues collected over (under) expenditures	142,187	142,187	35,989	41,740	41,740	82,232
Cash fund balances, beginning of year	<u>(142,187)</u>	<u>(142,187)</u>	<u>(142,187)</u>	<u>(41,740)</u>	<u>(41,740)</u>	<u>(41,740)</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>(106,198)</u>	<u>\$ 0</u>	<u>0</u>	<u>40,492</u>

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

	BALANCE 7-01-21	ADDITIONS	ADJUSTMENTS/ TRANSFERS	DEDUCTIONS	BALANCE 6-30-22
ASSETS					
Cash	\$ 120,378	324,014	7,625	302,785	149,232
LIABILITIES					
Funds held for school organizations:					
Yearbook	\$ 13,712	4,815	1,780	10,692	9,615
Athletics	4,552	22,074	(14)	24,957	1,655
Class of 2022	2,545	12,369	860	15,757	17
Class of 2027	0	0	777	711	66
Class of 2021	2,109	0	(1,170)	939	0
Class of 2023	6,194	6,742	1,121	6,104	7,953
Class of 2024	1,421	1,082	66	242	2,327
Football	2,465	9,954	536	12,825	130
Elementary athletics	3,439	0		50	3,389
BPA	55	5		60	0
4-H	218	0	(65)	0	153
Elementary	10,190	22,476	7,329	22,692	17,303
Miscellaneous	13,870	132,287	(5,472)	100,262	40,423
National Honor Society	41	250	(65)	0	226
Junior high cheerleaders	575	1,450		347	1,678
Senior high cheerleaders	3,460	2,320	(65)	1,873	3,842
Student council	806	976	898	2,300	380
Technology	420	0		0	420
Junior High Honor Society	7	0		0	7
Class of 2025	3,247	2,777	65	1,227	4,862
Class of 2026	1,404	3,235	65	2,234	2,470
Wrestling	595	4		599	0
Girls basketball	1,639	4,732	(65)	4,269	2,037
Track	510	0	(65)	29	416
Pride Club	210	0		0	210
Boys basketball	133	9,178		9,010	301
Softball	762	2,320	(65)	2,978	39
Baseball	749	0	(65)	369	315
Achieve	9,380	0		459	8,921
Volleyball	2,938	11,770	2,589	8,151	9,146
Vo-Ag	9,661	28,202	(5,024)	27,613	5,226
Fastpitch softball	259	2,860	(65)	3,016	38
Junior high boys basketball	0	749		536	213
Junior high girls basketball	0	749		536	213
Academics	549	0		420	129
Service club	8,228	8,447	2,095	9,014	9,756
Cross country	163	0		0	163
Library	250	432		0	682
High school activity	1,627	924		2,072	479
Band	1,414	8,798	(65)	8,733	1,414
Art club	841	0		0	841
Swat/ROHC	397	0	435	0	832
Special Olympics	33	0		0	33
Backpack program	9,248	7,135		12,347	4,036
Robotics	18	0		0	18
After grad party	14	6,842		6,814	42
E-Sports club	30	0		1	29
Class of 2028	0	1,423	65	1,097	391
Girls golf	0	1,587	1,127	48	2,666
Boys golf	0	50	82	126	6
Employee fund	0	5,000		1,276	3,724
Total Liabilities	\$ 120,378	324,014	7,625	302,785	149,232

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REGULATORY BASIS**

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor / Pass Through Grantor / Program Title	Federal Assistance Listing Number	Total Expenditures
<u>U.S. DEPARTMENT OF EDUCATION -</u>		
<u>Direct Programs:</u>		
Indian Education	84.060	\$ 68,827
Small Rural School Achievement	84.358	28,778
<u>Passed Through State Department of Education:</u>		
Title I, Part A	84.010	191,408
Title II, Part A	84.367	21,777
IDEA-B Flow Through	84.027	122,654
IDEA-B Preschool	84.173	1,615
Total IDEA-B Special Education Cluster		<u>124,269</u>
Title IV, Part A	84.424	11,441
*COVID-19 - Education Stabilization Fund (ESF):		
CARES Act	84.425D	15,266
ESSER II	84.425D	200,496
ARP - ESSER III	84.425U	570,500
ARP - ESSER Counselor Corps Grant	84.425U	16,000
Total COVID-19 - ESF		<u>802,262</u>
<u>U.S. DEPARTMENT OF AGRICULTURE -</u>		
<u>Passed Through State Department of Education:</u>		
Child Nutrition Programs		
School Breakfast Program	10.553	9,790
National School Lunch Program	10.555	163,916
Non-cash assistance: Commodities	10.555	26,523
Total Child Nutrition Program Cluster		<u>200,229</u>
<u>Other Federal Assistance:</u>		
Johnson O'Malley	15.130	15,769
Total Federal Assistance		<u>\$ 1,464,760</u>

*** Major programs**

Note 1 - Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal activity of the District for the year ended June 30, 2022. This information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies - Expenditures reported on this schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except as noted in Note 3. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. None of the federal programs include any loan programs, loan guarantee programs, and has no sub-recipients.

Note 3 - Non-Monetary Assistance - Commodities received by the District were of a non-monetary nature.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
PREPARED FOR THE OKLAHOMA STATE DEPARTMENT OF EDUCATION
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor / Pass Through Grantor / Program Title	Federal Assistance Listing Number	Project Number	Program or Award Amount	Balance at 7/1/2021	Revenue Collected	Total Expenditures	Balance at 6/30/2022
U.S. DEPARTMENT OF EDUCATION -							
Direct Programs:							
Indian Education	84.060	561	\$ 68,827		68,827	68,827	
Indian Education 2020-21	84.060	799		41,827			
Impact Aid	84.041	591	39,482		39,482		
Impact Aid Building Fund	84.041	591	200,227		200,227		
Impact Aid, disabled	84.041	592	10,878		10,878		
Small Rural School Achievement	84.358	588	28,778		12,266	28,778	16,512
Small Rural School Achievement 2020-21	84.358	799		16,512	16,512		
Sub Total			348,192	58,339	348,192	97,605	16,512
Passed Through State Department of Education:							
Title I, Part A	84.010	511	193,471		162,482	191,408	28,926
Title I, Part A 2020-21	84.010	799		76,772	76,772		
Title II, Part A	84.367	541	21,777		21,777	21,777	
ARP IDEA-B Flow Through COVID-19	84.027X	628	27,780				
ARP IDEA-B Preschool COVID-19	84.027X	643	1,576				
IDEA-B Flow Through	84.027	621	160,325		67,240	122,654	55,415
IDEA-B Flow Through 2020-21	84.027	799		30,466	30,466		
IDEA-B Professional Development District	84.027	615	1,712				
IDEA-B Preschool	84.173	641	1,615		1,615	1,615	
Title IV, Part A	84.424	552	11,441		11,441	11,441	
21st Century CLC 2020-21	84.287	799		59,607	59,607		
COVID-19 - Education Stabilization Fund (ESF):							
CARES Act	84.425D	788	17,117		15,266	15,266	
CARES Act 2020-21	84.425D	799		2,753	2,753		
ESSER II	84.425D	793	263,194		200,496	200,496	
ESSER II 2020-21	84.425D	799		287,910	287,910		
ARP - ESSER III	84.425U	795	1,238,582		300,325	570,500	270,175
ARP - ESSER Counselor Corps Grant	84.425U	722	16,000		16,000	16,000	
Total COVID-19 - ESF			1,534,893	290,663	822,750	802,262	270,175
Sub total			1,954,590	457,508	1,254,150	1,151,157	354,516
U.S. DEPARTMENT OF AGRICULTURE -							
Passed Through State Department of Education:							
Child Nutrition Programs							
School Breakfast Program	10.553	764			72,764	9,790	
National School Lunch Program	10.555	763			220,061	163,916	
Supply Chain Assistance	10.555	759			16,302		
Emergency Operational Cost	10.555	762			15,565		
Summer Food Program	10.559	766			10,891		
Non-cash assistance: Commodities	10.555	N/A			26,523	26,523	
Sub Total					362,106	200,229	
Other Child Nutrition Programs:							
P-EBT	10.649	760			614		
Sub Total					614	0	
Other Federal Assistance:							
Johnson O'Malley	15.130	563	16,687			15,769	
Johnson O'Malley 2020-21	15.130	799		12,469	12,469		
Medicaid resources	93.774	698	433		433		
Sub Total			17,120	12,469	12,902	15,769	0
Total Federal Assistance			\$ 2,319,902	528,316	1,977,964	1,464,760	371,028

Note 1 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements, except for the non-cash assistance noted in Note 2.

Note 2 - Food Distribution - Non-cash assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

Note 3 - None of the federal programs include any loan programs, loan guarantee programs, has no sub-recipients and does not use the 10% de minimis indirect cost rate.

HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
CNA Surety - Westen Surety Company	Superintendent	72301267	\$ 100,000	7/1/21-7/1/22
	Activity Fund	7231269	25,000	7/1/21-7/1/22
	Treasurer, Minutes Clerk, Child Nutrition Custodian	LSM1699955	100,000	11/1/21-11/1/22
	Encumbrance Clerk, Deputy Minutes Clerk, Activity Fund	LSM1699955	25,000	11/1/21-11/1/22
	Purchasing Agent	LSM1695108	5,000	11/1/21-11/1/22

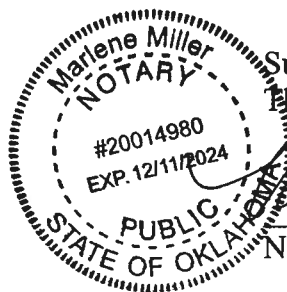
HULBERT INDEPENDENT SCHOOL DISTRICT NO. 16, CHEROKEE COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2021 TO JUNE 30, 2022

State of Oklahoma)
) ss
County of Tulsa)


The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Hulbert Public Schools for the audit year 2021-22.

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP
Auditing Firm

By 
Authorized Agent



Subscribed and sworn to before me
This 17th day of February, 2023


Notary Public (or Clerk or Judge)

My Commission Expires: 12/11/2024
Commission No. 20014980



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

February 17, 2023

Ms. Jolyn Choate, Superintendent
Hulbert Public Schools
PO Box 188
Hulbert, OK 74441-0188

Dear Ms. Choate:

In addition to the findings identified in the audit, on pages 17-18, listed below are the exceptions relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered to be significant deficiencies or material weaknesses. They are deficiencies that could evolve into material findings if not addressed or corrected. Please review them very carefully, along with the copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

Negative Fund Balance

We observed during the audit that the Building fund had a fund balance of (\$106,198.41) at June 30, 2022. According to State Department of Education regulations, at no time should any fund operate in a negative cash position. We recommend that proper planning, budgeting and monitoring of expenditures be performed to ensure that a negative fund balance is avoided at all times.

Quarterly 941 IRS Payments

We were unable to determine during the audit that federal income withholding taxes and the Social Security and Medicare withholding taxes were remitted to the Internal Revenue Service in a timely manner. We were unable to locate the 941 Reports for the 2021 tax year. It is possible the District will be subject to IRS penalties if they determine that inaccurate payroll withholding were made or if withholdings were not paid timely. We recommend the District contact the IRS regarding this matter and resolve any past due obligations if needed.

Activity Fund

We observed during the audit that the bank statements of the activity fund were reconciled to the control ledger each month, however, there were several reconciling items (i.e., deposits in transit, outstanding checks) that were more than a year old, therefore distorting the actual balance. We also observed that prior to November 2021 the activity fund records, for both the receipting and expenditure functions were in disarray. There was a subsequent a change in personnel and from that point on the activity fund showed great improvements. We recommend that the activity fund custodian review the reconciling items and make the appropriate adjustments so that the monthly reconciliations accurately reflect the activity fund balances.

Federal Program Reconciliations

During our audit, we observed several instances where the federal expenditure claims submitted for reimbursement did not match the actual amounts coded to that project code, according to the Oklahoma Cost Accounting System (OCAS) and software reports. We recommend that the District establish a procedure which requires that an employee (other than the one filing the claims) perform reconciliations periodically during the year, and at the end of the fiscal year, between the expenditures claimed for reimbursement and the expenditures that are actually coded to the program's project code on the detailed expenditure reports. We also recommend that actual expenses be coded to every grant to correspond with amounts claimed, even if the program does not require a detailed expenditure claim.

Supplemental Appropriations

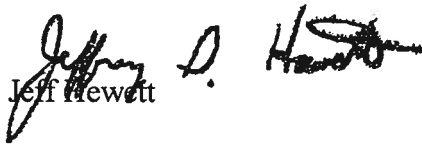
We observed during the audit that the applicable forms for adding supplemental appropriations were **not** properly completed in a timely manner. This resulted in the General, Building and Child Nutrition fund expenditures exceeding approved appropriations for a period of time during the fiscal year, however, the District had an adequate amount of cash on hand to cover all of the expenditures made, with the exception of the Building Fund. We recommend that the District implement procedures to ensure that supplemental appropriation forms be completed and executed in a timely manner and that the appropriations ledger be reconciled periodically with expenditure reports to ensure that expenditures do not exceed approved appropriations at any time, in any fund, during the year as required by Oklahoma Statutes. (Reference: 62 O.S. § 310.02)

Child Nutrition

We observed during our audit of child nutrition claims that some of the monthly claims information did not agree with the monthly edit check sheets. The child nutrition director uses a *Reimbursement Report* from the child nutrition software to record the meals on the federal claims, however, this report did not agree with the edit check reports ran from the same software. The variances were all immaterial, however, we recommend that any future variances be investigated prior to submitting the federal claim to ensure that the correct number of meals is being claimed for reimbursement. Further, we recommend that the edit checks and the federal claims be reviewed by another person, independent from the process, prior to submitting the claims. Both the reviewer and the director should then sign the edit checks to document that this internal control procedure has been performed.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,


Jeff Hewett